



Administrator
Washington, DC 20201

OCT 2 2002

Mr. Ray Hanley
Director
Division of Medical Services
Arkansas Department of Human Services
P.O. Box 1437, Slot 1100
Little Rock, AR 72203-1437

Dear Mr. Hanley:

We are pleased to inform you of our approval of the State's requests dated May 16, 2002. We are approving an extension for your Medicaid Section 1115 demonstration titled "IndependentChoices," a Cash and Counseling Demonstration Program as project number 11-W-00116/6 for the period of October 9, 2003 to November 30, 2006. The IndependentChoices demonstration amendment is approved as of the date of this letter through November 30, 2006. Approvals are given under the authority of Section 1115(a) (1) of the Social Security Act (the Act).

This approval will permit Arkansas to provide the cash allowance to all participants currently enrolled in "IndependentChoices." We commend you for your interest in expanding this benefit to all current demonstration eligibles. Arkansas is one of the states that has pioneered the philosophy of family or self-direction, and this amendment continues to show your commitment in this effort. We are also pleased that you are interested in pursuing this amendment as it supports the President's *New Freedom Initiative*.

The Centers for Medicare & Medicaid Services (CMS) has determined that the IndependentChoices demonstration amendment would further promote the objectives of the Medicaid program. This program would provide community-based and long-term supports and services to individuals needing assistance with activities of daily living.

Our approval of the IndependentChoices Cash and Counseling Demonstration (and the Federal matching authority provided for thereunder) is contingent upon the State's agreement to the enclosed special terms and conditions of approval. The special terms and conditions of approval also set forth in detail the nature, character, and extent of Federal involvement in this project. The award is subject to our receiving your written acceptance of the award within 30 days of the date of this letter.

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable to this letter, shall apply to the Cash and Counseling Demonstration. Subject to approval of your revised protocol, as described in the special terms and conditions, the following waivers are granted pursuant to the authority of section 1115(a)(1) for the period beginning December 1, 1998, to November 30, 2006. These waivers remain unchanged from your original approval:

1. Statewideness 1902(a)(1)

To enable the State to operate the demonstration within an area which does not include all political subdivisions of the State.

2. Comparability 1902(a)(10)(B)

To permit the provision of services under the demonstration that will not otherwise be available under the State Plan. Benefits (i.e., amount, duration and scope) may vary by individual based on assessed need.

3. Income and Resource Rule 1902(a)(10)(C)(I)

To permit the exclusion of payments received under the Cash and Counseling Demonstration from the income and resource limits established under State and Federal law for Medicaid eligibility. Recipients will also be permitted to accumulate cash in a separate account for special (approved) purchases.

4. Provider Agreements 1902(a)(27)

To permit the provision of care by individuals who have not executed a Provider Agreement with the State Medicaid agency.

5. Direct Payments to Providers 1902(a)(32)

To permit payments to be made directly to beneficiaries or their representatives.

6. Payment Review 1902(a)(37)(B)

To the extent that prepayment review may not be available for disbursements by individual beneficiaries to their caregivers/providers.

Under the authority of Section 1115(a)(2) of the Act, expenditures made by the State of Arkansas under the Cash and Counseling Demonstration for the items identified below (which are not otherwise included as expenditures under section 1903) shall, for the period of this project, be regarded as expenditures under the State's Title XIX plan.

1. Expenditures to employ members of a recipient's family as caregivers.

2. Expenditures to provide non-traditional services presently not included as optional State

Plan Services under Title XIX; i.e., to provide for counseling and fiscal intermediary services as a part of the demonstration design.

3. Expenditures regarding payment for the provision of services to recipients. Specifically, payment will be provided to recipients prior to the delivery of service.

Your project officer will be Elizabeth Mack, who can be reached at (410) 786-1282. Your project officer is available to answer any questions concerning the scope and implementation of the project described in your application. Communications regarding program matters, and official correspondence concerning the project, should be submitted to the project officer at the following address:

Centers for Medicare & Medicaid Services
Center for Medicaid and State Operations
S2-14-26
7500 Security Boulevard
Baltimore, Maryland 21244-1850
E-mail: EMack@cms.hhs.gov

Communications regarding program matters should be submitted simultaneously to the above listed project officer and to J. P. Peters at (214) 767- 2628 at the following address in the Dallas Regional Office:

Centers for Medicare & Medicaid Services
Division of Medicaid and State Operations
1301 Young Street, Room 714
Dallas, Texas 75202
JPeters@cms.hhs.gov

We extend our congratulations on this award and look forward to working with you during the course of the project.

Sincerely,

Thomas A. Scully

Enclosure